Glenbriar Technologies Inc.
320, 505 – 3 St SW, Calgary, AB T2P 3E6 **Phone** (403) 233-7300
E-mail info@glenbriar.com **Web** glenbriar.com **Fax** (403) 234-7310

BC FORM 51-901F
(formerly BC Form 61)

YEAR END 2001 REPORT

This Report includes the following Schedules, as set forth in BC Form 51-901F:
A. Audited Annual Financial Statements;
B. Supplementary Information; and
C. Management Discussion and Analysis.

ISSUER DETAILS NAME OF ISSUER	FOR YEAR ENDED	DATE OF REPORT YY / MM / DD
Glenbriar Technologies Inc.	2001 09 30	02 02 13
ISSUER ADDRESS		
320, 505 3 St SW		
CITY/PROVINCE/POSTAL CODE	ISSUER FAX NO.	ISSUER PHONE NO.
Calgary, AB T2P 3E6	(403) 234-7310	(403) 233-7300
CONTACT NAME	CONTACT POSITION	CONTACT PHONE NO.
Robert D. Matheson	President	(403) 233-7300
CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS	
info@glenbriar.com	glenbriar.com	

CERTIFICATE
The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE OF REPORT YY / MM / DD
"Robert Matheson"	Robert D. Matheson	02 02 13
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE OF REPORT YY / MM / DD
"Brian Tijman"	Brian Tijman	02 02 13

Schedule A: FINANCIAL STATEMENTS

Consolidated Financial Statements of

GLENBRIAR TECHNOLOGIES INC.
(formerly Glenbriar Developments Ltd.)

September 30, 2001 and 2000

Deloitte & Touche LLP
3000, 700 Second Street SW
Calgary AB Canada T2P 0S7

Telephone: +1-403-267-1700
Facsimile: +1-403-264-2871

Auditors' Report

To the Shareholders of
Glenbriar Technologies Inc.
(formerly Glenbriar Developments Ltd.):

We have audited the consolidated balance sheets of **Glenbriar Technologies Inc. (formerly Glenbriar Developments Ltd.)** as at September 30, 2001 and 2000 and the consolidated statements of (loss) earnings and (deficit) retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
December 21, 2001

"Deloitte & Touche"
Chartered Accountants

GLENBRIAR TECHNOLOGIES INC.
(formerly Glenbriar Developments Ltd.)

Consolidated Statements of (Loss) Earnings and (Deficit) Retained Earnings
Years Ended September 30, 2001 and 2000

	2001 $	2000 $
REVENUE		
Information technology consulting	**2,327,310**	358,949
Equipment and software sales	**1,540,665**	233,066
Oil and gas sales, net of royalties of $148,159 (2000 - $79,818)	**574,446**	442,560
Interest and other income	**68,634**	16,761
	4,511,055	1,051,336
EXPENSES		
Information technology consulting	**1,804,326**	210,280
Cost of goods sold	**1,184,146**	151,934
Oil and gas production	**150,342**	112,444
General and administrative	**1,094,589**	150,996
Depletion, depreciation and amortization	**428,103**	174,200
Impairment of oil and gas properties (Note 3)	**515,000**	-
Interest and bank charges	**10,708**	8,849
	5,187,214	808,703
(LOSS) EARNINGS BEFORE INCOME TAXES	**(676,159)**	242,633
(RECOVERY OF) PROVISION FOR INCOME TAXES (Note 7)		
Current	**(49,300)**	49,300
Future	**(283,000)**	44,000
	(332,300)	93,300
NET (LOSS) EARNINGS	**(343,859)**	149,333
RETAINED EARNINGS, BEGINNING OF YEAR	**294,132**	144,799
IMPACT OF CHANGE IN ACCOUNTING POLICY (Note 7)	**12,000**	-
(DEFICIT) RETAINED EARNINGS, END OF YEAR	**(37,727)**	294,132
EARNINGS PER SHARE		
Basic and fully diluted	**(0.016)**	0.011

GLENBRIAR TECHNOLOGIES INC.
(formerly Glenbriar Developments Ltd.)

Consolidated Balance Sheets
September 30, 2001 and 2000

	2001 $	2000 $
ASSETS		
CURRENT		
Cash	**462,992**	616,136
Accounts receivable	**857,030**	526,038
Prepaid expenses	**2,430**	1,376
Inventory	**233,371**	83,462
	1,555,823	1,227,012
Capital assets (Note 3)	**227,827**	869,668
Intangible assets (Notes 4 and 5)	**390,555**	-
Goodwill, net of amortization of $108,614 (2000 - $35,000) (Note 5)	**965,897**	691,429
Future income taxes (Note 7)	**869,922**	-
	4,010,024	2,788,109
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**975,509**	198,423
Loan from shareholders	**-**	69,051
Income taxes payable	**-**	49,300
Deferred revenue	**273,160**	-
	1,248,669	316,774
Future income taxes (Note 7)	**-**	44,000
Provision for site restoration and abandonment	**11,432**	9,432
	1,260,101	370,206
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**2,787,650**	2,123,771
(Deficit) retained earnings	**(37,727)**	294,132
	2,749,923	2,417,903
	4,010,024	2,788,109

APPROVED BY THE BOARD

"Glenn F. H. Matheson" Director

"Robert D. Matheson" Director

GLENBRIAR TECHNOLOGIES INC.
(formerly Glenbriar Developments Ltd.)

Consolidated Statements of Cash Flows
Years Ended September 30, 2001 and 2000

	2001 $	2000 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net (loss) earnings	**(343,859)**	149,333
Adjustments for:		
Depletion, depreciation and amortization	**428,103**	174,200
Impairment of oil and gas properties	**515,000**	-
Future income taxes	**(283,000)**	44,000
	316,244	367,533
Changes in non-cash working capital	**(187,211)**	(378,642)
	129,033	(11,109)
FINANCING		
Issue of share capital for cash	**79,950**	735,237
Decrease in loans payable	**-**	(175,000)
(Decrease) increase in loan from shareholders	**(69,051)**	69,051
	10,899	629,288
INVESTING		
Capital assets	**(26,647)**	(44,010)
Cash (paid) acquired related to corporate acquisitions (Note 5)	**(266,429)**	28,051
	(293,076)	(15,959)
NET (DECREASE) INCREASE IN CASH	**(153,144)**	602,220
CASH, BEGINNING OF YEAR	**616,136**	13,916
CASH, END OF YEAR	**462,992**	616,136

1. BASIS OF PRESENTATION

Glenbriar Technologies Inc. (formerly Glenbriar Developments Ltd.) (the "Corporation") was incorporated under the Business Corporations Act (Alberta) on July 15, 1994. The consolidated financial statements include the accounts, from the dates of acquisition (Note 5), of its wholly-owned subsidiaries, IS Department Ltd. ("IS Dept."), Moser Computer Services Inc. ("Moser"), Peartree Software Inc. ("Peartree"), Tel 2000 Services Ltd. ("Tel 2000") and Nat Communications Ltd. ("Nat"). As at September 30, 2001, IS Dept., Moser, Tel 2000 and Nat were amalgamated with the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition - information technology services

Equipment and software sales relate to proprietary software and products purchased and resold to customers. The revenue from these sales is recognized upon shipment and invoicing. Information technology consulting revenue is recognized as services are rendered. In cases where collectibility is not reasonably assured, revenue is recognized when the cash is collected. Payments received in advance of services rendered are deferred until such time as the services are performed.

Depreciation and amortization

Office equipment is depreciated using the declining-balance method at rates ranging from 10% - 30% per year.

Intangible assets and goodwill are amortized on a straight-line basis as follows:

Maintenance and servicing agreements	2 years
Customer lists	3 years
Propriety software	5 years
Goodwill	8 years

If a permanent impairment in value is determined, the carrying value of the intangible assets or goodwill is written down and charged to earnings.

Income taxes

Effective October 1, 2000, the Corporation adopted the liability method of accounting for income taxes. Under this method, temporary differences arising from the differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Temporary differences arising on acquisitions result in future income tax liabilities or assets. Prior to October 1, 2000, the Corporation followed the deferral method of accounting for income taxes.

Inventory

Equipment and spare parts inventory is carried at the lower of cost and net realizable value.

Oil and gas operations

The Corporation follows the full cost method of accounting for oil and gas operations, whereby all costs of exploring for and developing oil and gas properties and related reserves are capitalized into a single Canadian cost centre. Such costs include land acquisition costs, production equipment and related facilities, costs of drilling both productive and non-productive wells, geological and geophysical expenditures and certain other overhead expenditures.

Total capitalized costs are depleted using the unit-of-production method based on estimated proven reserves of oil and gas before royalties as determined by management and referencing estimates by independent reserve engineers. The relative volumes of oil and gas reserves and production are converted into a common unit of measure on the basis of their approximate relative energy content.

In applying the full cost method of accounting, capitalized costs including provision for necessary future development expenditures, less depletion and depreciation, are restricted from exceeding an amount equal to the estimated undiscounted future net revenues from proved reserves. This is based on year end prices and costs, less the aggregate estimated future abandonment costs net of salvage values, general and administrative, financing and income tax costs derived from proved reserves, plus the lower of cost and estimated fair value of undeveloped properties. If this comparison indicates an excess carrying value, a write-down is recorded.

Effective November 1999, the Corporation ceased oil and gas exploration and development activities. Oil and gas production activities are conducted jointly with others. These consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

Future site restoration and site abandonment costs

The Corporation provides for future site restoration and abandonment costs based on the unit-of-production method. The provision is included in depletion and depreciation in the consolidated statement of (loss) earnings.

Stock option plan

The Corporation has a stock option plan as described in Note 6. No compensation expense is recognized for this plan when the stock options are issued. Any consideration paid on exercise of stock options or purchase of stock is credited to share capital.

Earnings per share

The Corporation follows the imputed interest method for calculating fully diluted earnings per share.

3. CAPITAL ASSETS

	2001 $	2000 $
Oil and gas properties	**1,311,955**	1,340,136
Oil and gas production equipment and facilities	**84,503**	84,503
Accumulated depletion	**(1,276,012)**	(574,393)
	120,446	850,246
Computers and other	**134,865**	24,222
Accumulated depreciation	**(27,484)**	(4,800)
	227,827	869,668

As at September 30, 2001, the Corporation recorded an impairment of its oil and gas properties in the amount of $515,000 based on downward revision of reserve estimates resulting from lower commodity prices.

4. INTANGIBLE ASSETS

	2001			2000
	Cost $	Accumulated Amortization $	**Net Book Value** $	Net Book Value $
Maintenance and servicing agreements	207,942	(86,642)	**121,300**	-
Customer lists	70,900	(14,228)	**56,672**	-
Proprietary software	255,100	(42,517)	**212,583**	-
	533,942	(143,387)	**390,555**	-

5. ACQUISITIONS

a) Effective May 1, 2000, the Corporation acquired all of the issued and outstanding shares of IS Dept. an information technology outsourcing and consulting company based in Calgary. This transaction resulted in the issuance of 5,135,000 common shares of the Corporation to shareholders of IS Dept., who were also shareholders, officers and directors of the Corporation, plus an additional 50,000 shares issued to the agent for the transaction. The transaction was approved by the disinterested shareholders of the Corporation at the annual meeting held on April 17, 2000. 3,081,000 common chares were subject to escrow agreements as of September 30, 2001, which will be released from escrow in equal semiannual instalments until November 2003.

The acquisition was accounted for using the purchase method of accounting as follows:

Total consideration:

	$
Issue of 5,135,000 Corporation common shares	718,900
Transaction costs	38,654
	757,554

Allocation of purchase price:

	$
Working capital, including cash of $28,051	25,154
Property, plant and equipment	5,971
Goodwill	726,429
	757,554

b) Effective December 1, 2000, the Corporation acquired all of the issued and outstanding shares of Peartree, a software company based in Kitchener, Ontario, which provides business software solutions to manufacturing and distribution customers in Canada, the United States and Mexico. Under the agreement, the Corporation agreed to acquire all of the issued and outstanding shares of Peartree for 3,537,416 common shares of the Corporation issued from treasury.

The business combination was accounted for using the purchase method of accounting as follows:

Total consideration:

	$
Issue of 3,537,416 Corporation common shares	371,429
Transaction costs	64,137
	435,566

Allocation of purchase price:

	$
Working capital deficiency, including cash of $12,646	(689,487)
Property, plant and equipment	77,089
Proprietary software	233,100
Maintenance and servicing agreements	207,942
Future income tax asset	606,922
	435,566

c) Effective December 1, 2000, the Corporation acquired all of the issued and outstanding shares of Moser, a private software and information technology support company based in Waterloo, Ontario. In consideration for all of the shares of Moser, the Corporation paid $100,000 in cash plus 500,000 common shares of the Corporation.

The acquisition was accounted for using the purchase method of accounting as follows:

Total consideration:

	$
Issue of 500,000 Corporation common shares	52,500
Cash	100,000
Transaction costs	300
	152,800

Allocation of purchase price:

	$
Working capital, including cash of $Nil	3,315
Equipment	4,620
Proprietary software	22,000
Customer lists	21,700
Future income tax liability	(16,000)
Goodwill	117,165
	152,800

d) Effective April 1, 2001, the Corporation acquired Tel 2000, a business telecom solutions provider based in Vancouver, B.C. The transaction resulted in the issuance of 1,600,000 common shares of the Corporation and $130,000 in cash to the owners of Tel 2000.

The acquisition was accounted for using the purchase method of accounting as follows:

Total consideration:

	$
Issue of 1,600,000 Corporation common shares	160,000
Cash	130,000
	290,000

Allocation of purchase price:

	$
Working capital, including cash of $15,362	18,580
Property, plant and equipment	7,303
Customer lists	49,200
Future income tax liability	(16,000)
Goodwill	230,917
	290,000

6. SHARE CAPITAL

	Number of Shares	Amount $
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares of one or more series		
Issued		
Balance, September 30, 1998 and 1999	9,129,020	**662,634**
Acquisition of IS Dept. (Note 5(a))	5,185,000	**725,900**
Private placement	2,500,000	**750,000**
Share issue costs	-	**(14,763)**
Balance, September 30, 2000	16,814,020	**2,123,771**
Acquisition of Peartree (Note 5(b))	3,537,416	**371,429**
Acquisition of Moser (Note 5(c))	500,000	**52,500**
Acquisition of Tel 2000 (Note 5(d))	1,600,000	**160,000**
Exercise of stock options	695,000	**79,950**
Balance, September 30, 2001	23,146,436	**2,787,650**

There have been 810,992 common shares issued subsequent to September 30, 2001 in conjunction with the acquisition of Platinum Systems Ltd. ("Platinum") and Channel Solutions Inc. ("Channel") (Note 11).

Stock option plan

The Corporation has granted stock options to directors, officers and employees to purchase 2,239,342 common shares at prices between $0.10 and $0.25 per share. These options expire on dates between June 1, 2002 and August 1, 2003.

A summary of the Corporation's stock option plan as of September 30, 2001 and 2000 and changes during the years ending on those dates is presented below:

	2001		2000	
	Number of Shares	**Weighted Average Exercise Price $**	Number of Shares	Weighted Average Exercise Price $
Outstanding, beginning of year	**840,000**	**0.21**	-	-
Granted	**2,979,605**	**0.11**	840,000	0.21
Exercised	**(695,000)**	**0.12**	-	-
Expired	**(815,088)**	**0.21**	-	-
Outstanding, end of year	**2,309,517**	**0.11**	840,000	0.21
Exercisable, end of year	**507,017**		420,000	

The following table summarizes information on stock options outstanding at September 30, 2001:

Options Outstanding				Options Exercisable	
Range of Exercise Prices $	Number of Shares Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price $	Number of Shares Exercisable	Weighted Average Exercise Price $
0.10	2,102,500	0.7 years	0.10	300,000	0.10
0.25	207,017	1.7 years	0.25	207,017	0.25
	2,309,517			507,017	

Share purchase warrants

In conjunction with the acquisition of Peartree (Note 5(b)), the Corporation issued 210,528 common share purchase warrants to former Peartree warrant holders. Each warrant entitles the holder to purchase one common share at $0.25 until June 1, 2002.

7. INCOME TAXES

Effective October 1, 2000, the Corporation adopted the new accounting recommendation of the Canadian Institute of Chartered Accountants for accounting for income taxes using the liability method. The new policy was applied retroactively, without restatement of comparative years. The impact of adopting the new recommendation relating to prior years was to increase the future income tax asset and opening retained earnings by $12,000.

For the year ended September 30, 2000, the Corporation followed the deferral method of accounting for tax effects of timing differences between taxable income and income as recorded in the consolidated financial statements. There was no significant impact on the statement of loss for the year ended September 30, 2001 as a result of adopting the liability method.

The components of the future income tax asset (liability) amounts as at September 30, 2001 and 2000 are as follows:

	2001 $	2000 $
Excess (deficiency) of tax basis over carrying value of assets	**307,225**	(50,120)
Future benefit of prior year losses	**562,737**	15,231
Other	**(40)**	(9,111)
	869,922	(44,000)

As at September 30, 2001, Peartree had non-capital losses of approximately $1.5 million available to be carried forward to reduce future taxable income, the benefit of which has been recognized in the consolidated financial statements. The losses expire between 2001 and 2008.

There are no reconciling items which cause the Corporation's effective combined federal and provincial tax rate to differ significantly from the combined statutory rate.

8. SEGMENTED INFORMATION

Effective May 1, 2000, the Corporation has two reportable segments: Oil and gas production and information technology services.

	$
REVENUE	
Oil and gas	596,824
Information technology services	3,914,231
	4,511,055
SEGMENT OPERATING PROFIT	
Oil and gas (net of depletion and impairment charges of $703,619)	(279,515)
Information technology services (net of intangible assets amortization of $55,887 and goodwill amortization of $161,113)	640,019
Total operating profit	360,504
General and administrative expenses (including net interest revenue of $57,926)	(1,036,663)
Income tax recovery	332,300
NET LOSS	(343,859)
TOTAL ASSETS	
Oil and gas (net of inter-segment balances of $630,866)	537,352
Information technology services	2,841,806
Inter-segment receivables	630,866
Total	4,010,024

9. SUPPLEMENTARY INFORMATION

	2001 $	2000 $
Cash interest paid	10,708	8,849

10. FINANCIAL INSTRUMENTS

The carrying value of the Corporation's accounts receivable, accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these financial instruments.

11. SUBSEQUENT EVENTS

Effective October 1, 2001, the Corporation acquired Platinum and Channel, private information technology consulting and IT procurement service companies. In consideration for all of the issued and outstanding shares of Platinum and Channel, the Corporation paid $90,000 cash and issued 810,992 common shares of the Corporation with a value of $60,824.

Schedule B: SUPPLEMENTARY INFORMATION

1. *Analysis of expenses and deferred costs*

Breakdown of amounts shown in the financial statements for each category:

	Year ended September 30, 2001
Information technology consulting expense	
Salaries	$1,589,929
Other	214,397
Cost of goods sold	
Equipment	$838,112
Software	318,475
Other	27,559
General and administrative expense	
Salaries	$528,690
Office rent and expense	192,496
Professional fees	144,121
Other	229,282
Depletion, depreciation and amortization	
Amortization of goodwill and intangibles	$217,000
Depletion of oil and gas assets	188,619
Depreciation of office equipment	22,484

2. *Related party transactions*

See Note 5(a) of the Notes to the Consolidated Financial Statements.

3. *Summary of securities issued and options granted during the period*

Securities issued

Date	Security	Issue type	Number	Price	Proceeds	Consideration	Commission
Dec 1/00	Common	Takeover bid	3,537,416	$0.11	$371,429	Shares	Nil
Dec 1/00	Warrants	Takeover bid	210,528	exchange	exchange	Warrants	Nil
Dec 1/00	Common	Private placement	500,000	$0.11	$52,500	Shares	Nil
Feb 26/01	Common	Option exercise	95,000	$0.21	$19,950	Cash	Nil
Apr 1/01	Common	Private placement	1,600,000	$0.11	$160,000	Shares	Nil
Apr 20/01	Common	Option exercise	600,000	$0.10	$60,000	Cash	Nil

Options granted

Date	Number	Optionee	Exercise price	Expiry date
Nov 14/00	70,175	Norman Wright	$0.25	Sep 1/02
Nov 14/00	17,544	Employee	$0.25	Sep 1/02
Nov 14/00	17,544	Bonnie Liesemer	$0.25	Sep 1/02
Nov 14/00	24,561	Employee	$0.25	Oct 1/02
Nov 14/00	112,281	Employees	$0.25	Aug 1/03
Dec 15/00	200,000	Robert Matheson	$0.10	Jun 1/02
Dec 15/00	200,000	Glenn Matheson	$0.10	Jun 1/02
Dec 15/00	200,000	Brian Tijman	$0.10	Jun 1/02
Dec 15/00	200,000	Graeme Ross	$0.10	Jun 1/02
Dec 15/00	35,000	Graeme Ross	$0.21	Jun 30/01
Dec 15/00	50,000	Norman Wright	$0.10	Jun 1/02
Dec 15/00	50,000	Garnet Watchorn	$0.10	Jun 1/02
Jul 13/01	320,000	Robert Matheson	$0.10	Jun 30/02
Jul 13/01	320,000	Glenn Matheson	$0.10	Jun 30/02
Jul 13/01	320,000	Brian Tijman	$0.10	Jun 30/02
Jul 13/01	70,000	Graeme Ross	$0.10	Jun 30/02
Jul 13/01	75,000	Jamie Skawski	$0.10	Jun 30/02
Jul 13/01	75,000	David Moser	$0.10	Jun 30/02
Jul 13/01	622,500	Employees	$0.10	Jun 30/02

4. *Summary of securities as at the end of the reporting period*

See Note 6 of the Notes to the Consolidated Financial Statements.

5. *Names of officers and directors as of January 20, 2002*

Name	Position
Robert D. Matheson	Chairman, President & CEO
Glenn F. H. Matheson	Executive Vice-President & Director
Brian Tijman	Controller, CFO & Director
David Moser	Vice-President, Ontario Region & President of Peartree Software Inc.
Jamie Skawski	Vice-President, Consulting
S. Graeme Ross	Director
Garnet Watchorn	Director
Norman Wright	Director

Schedule C: MANAGEMENT DISCUSSION AND ANALYSIS

1. *Description of Business*

Effective March 26, 2001, Glenbriar Developments Ltd. changed its name to Glenbriar Technologies Inc.

Glenbriar Technologies Inc. (CDNX:GTI) is an information technology (IT) company headquartered in Calgary, with locations in Alberta, British Columbia and Ontario. Glenbriar designs, implements and supports business workflow improvement solutions for small and medium enterprises, including IT outsourcing and consulting services, Internet protocol (IP) telephony and call centre solutions. Glenbriar also develops, markets and supports a proprietary suite of enterprise resource planning (ERP) software modules to manufacturers and distributors through its subsidiary Peartree Software Inc. in Kitchener-Waterloo.

2. *Discussion of Operations and Financial Condition*

Change of Business from Energy to IT

From September 1996 to November 1999, Glenbriar was engaged in oil and gas exploration, development and production. In November 1999, Glenbriar ceased oil and gas exploration and development activities, but retained its producing properties. Since May 2000, Glenbriar has been engaged in delivering IT services to small and medium enterprises.

Acquisitions

Glenbriar initially entered the IT business by acquiring IS Department Ltd. ("IS Department"), a private IT consultancy based in Calgary, which started in July 1997 and was created, owned and operated by the three largest shareholders of Glenbriar. Effective December 2000, Glenbriar acquired Peartree Software Inc. ("Peartree"), an independent software developer, and Moser Computer Services Inc. ("MCS"), a private IT consultancy, both of Kitchener-Waterloo. Effective April 2001, Glenbriar acquired Tel2000 Services Ltd. ("Tel2000") (and its affiliate Nat Communications Ltd.) of Vancouver, private companies specializing in IP telephony and call centre solutions. The acquired companies were operated as wholly owned subsidiaries of Glenbriar until September 30, 2001, at which time IS Department, MCS, Tel2000 and Nat Communications Ltd. were amalgamated into Glenbriar, with Peartree remaining a separate entity.

Changes in standard accounting practices require Glenbriar to change the way that it accounts for both previous and new acquisitions commencing in fiscal 2002. For fiscal 2001 and prior periods, goodwill was amortized on a straight line basis over a number of years. Starting in fiscal 2002, Glenbriar will periodically review the carrying value of goodwill. If a permanent impairment is determined, goodwill is written down and charged to earnings. If no impairment is determined, there is no charge to goodwill. This change is expected to reduce amortization charges and thus have a positive impact on reported earnings. Other intangible assets will continue to be amortized as described in Note 2 of the Notes to the Consolidated Financial Statements.

Personnel & Office Changes

In May 2001, Peartree relocated to new premises in the same building at 50 Queen St N, Suite 700, Kitchener, Ontario. The new location is comprised of 7,000 square feet, which was renovated to Peartree's specifications at the landlord's expense. Rent is $7 per square foot plus occupancy costs, with a cap on gross rent of $12 per square foot. There are 18 employees working out of the new location.

Glenbriar initially retained all of the personnel when it acquired Peartree, MCS and Tel2000.

In June 2001, Graeme Ross, a director of Glenbriar, resigned as President of Peartree, and David Moser, who was running MCS, was appointed the new President of Peartree and Vice-President, Ontario Region for Glenbriar. In July 2001, the Controller position at Peartree and MCS was outsourced. Upon completion of the amalgamation, Glenn Matheson, formerly President of IS Department, was appointed Executive Vice-President of Glenbriar.

Results from Operations

Revenue. Results for the year ended September 30, 2001 include 12 months of operations from IS Department, 10 months from each of Peartree and MCS, and 6 months from Tel 2000. Results for the prior year included only 5 months of operations from IS Department. While gross revenue increased 329%, revenue attributable to IT services increased 550%, with the ratio of consulting services to equipment and software sales remaining constant at 1.5:1. Oil and gas revenue increased by 30%, which reflects large increases in commodity prices being offset by production declines.

Expense. See Schedule B for a breakdown of the sources of major expense items.

Information technology consulting expense and cost of goods sold reflect the increases in the revenue attributable to those items.

General and administrative expense reflects the increase from one to three locations, costs of pursuing and implementing acquisitions, and the growth from 12 to 45 employees in fiscal 2001. Glenbriar will continue to pursue standardization and consolidation of operations throughout its locations to continue to contain general and administrative costs.

Depreciation, depletion and amortization expense is principally made up of $217,000 of amortization of goodwill and intangibles related to acquisitions and $188,619 of depletion of oil and gas properties. See “Acquisitions” and “Oil and Gas Production” for details of these charges and changes to accounting treatment going forward.

Oil and Gas Production

Oil and gas production is no longer a key component of Glenbriar’s overall operations. Energy revenue has made up the following proportion of total revenue in the past 3 fiscal years: 1999 – 100%; 2000 – 42%; 2001 – 13%. This figure is expected to fall below 4% in fiscal 2002.

Glenbriar retains a non-operated 55% and 50% working interests in 2 gas wells in Cold Lake, Alberta. The first well has a very steady production history and continues to produce as expected. This well currently generates annual field level cash flow of about $100,000. The second well was shut in in July 2001 due to low energy prices and high water production from a neighbouring well, which negatively affected the economics of producing the well. As it is not clear when or if the second well will be placed back on production, Glenbriar elected to write off the second well in fiscal 2001.

Glenbriar also retains non-operated 36% and 3.5% working interests in 2 horizontal oil wells in Ingoldsby, Saskatchewan. These interests currently generate annual field level cash flow of about $30,000.

The write-off of the second gas well, combined with reduced commodity prices, resulted in the $515,000 ceiling test write-down described in Note 3 of the Notes to the Consolidated Financial Statements, which is in addition to the $188,619 of depletion expense. While the write-down created a substantial loss in fiscal 2001, it will result in lower depletion costs and correspondingly higher earnings

in future periods. Glenbriar is not currently inclined to dispose of these energy interests, since they provide a relatively simple tax sheltered cash flow to assist with the growth of the IT services business.

3. *Subsequent Events*

Effective October 1, 2001, Glenbriar acquired Platinum Systems Ltd. ("Platinum"), a private IT consultancy based in Calgary (and its affiliate, Channel Solutions Inc.). This acquisition results in a 50% increase in Glenbriar's Calgary operations. See Note 11 of the Notes to the Consolidated Financial Statements. Upon completion of the acquisition, the President, Chairman and Secretary of Platinum were replaced by officers of Glenbriar. Channel Solutions was determined not to be financially viable, and its operations are being wound down. This financial condition was known at the time of acquisition, and only a nominal value had been attributed to Channel in valuing the acquired companies.

In November 2001, Glenbriar relocated its Calgary operations from its previous location to Platinum's offices at 320, 505 3 St SW, Calgary, AB. The new location is comprised of 2000 square feet of offices in the centre of downtown Calgary. Glenbriar allowed the lease to expire on its previous location at the end of December 2001. The new location was renovated to accommodate both Glenbriar's and Platinum's existing lines of business. In addition to IT services, Platinum also provided Web hosting and application service provider (ASP) solutions to businesses in downtown Calgary. Glenbriar has now absorbed all of Platinum's operations, and intends to revamp and expand the Web and ASP business lines. Glenbriar currently has 24 employees working out of the new location.

In November 2001, Glenbriar purchased a new office location at 103 – 1500 Hartley Avenue in Coquitlam, B.C., which is centrally located within the Lower Mainland. The location consists of one bay of a 4 year old building in a condominium warehouse, and includes 3100 square feet of finished office space on two floors plus 300 square feet of warehouse space. The location includes 3 parking stalls, and on street parking is also readily available. The purchase price of $225,000 was paid by a 30% cash down payment, with the balance by way of commercial mortgage. Glenbriar believes that the purchase price is below replacement cost. Glenbriar currently has 10 employees working out of the new location.

4. *Liquidity and Solvency*

As of September 30, 2001, Glenbriar had $307,154 of working capital. Glenbriar believes it has sufficient funds to meet its ongoing obligations as they become due. The largest challenge in continuing to meet those obligations is during periods of rapid growth in IT services, which requires a substantial increase in working capital. See "Accounts Receivable". Depending on the demand for additional working capital or the desire to grow through acquisitions, Glenbriar may be required to seek additional equity or debt financing, or to limit its growth in order to maintain liquidity.

Inventory. Glenbriar maintains only a limited inventory of spare parts, so that most of the inventory of $233,371 represents work in progress for clients who have ordered hardware and software for installation at client sites. Accordingly, this inventory amount is considered relatively liquid.

Accounts receivable. This account is made up of trade receivables for services performed for business clients, and are net of an allowance for doubtful accounts and bad debts of less than 2% of sales. Clients are typically billed in the month after services are rendered, which contributes the need for 30 days of working capital to finance the receivables. Payment is usually received about 45 to 60 days after an invoice is sent. These items are reflected in the year-end accounts receivable balance, which reflects 69 days of sales. As business grows, the need for additional working capital to finance trade receivables grows proportionately.

Accounts payable and accrued liabilities. This account is made up of $442,783 of trade payables owed in relation to IT services for all companies other than Peartree, plus $532,726 attributable to Peartree. The Peartree portion includes $172,904 of unsecured trade payables, $19,701 of secured trade payables, and $340,121 of unsecured legacy accounts payable carried by Peartree which have been outstanding since before Peartree was acquired by Glenbriar. There is no recourse to Glenbriar for any of Peartree's obligations. Glenbriar has advanced working capital to Peartree to allow it to turn around its business, which advances are secured by a promissory note and a general security agreement registered under the laws of Ontario. While Peartree has successfully turned around its business, it is not yet in a position to repay these amounts, and will continue to rely on the continuing indulgence of its creditors in the foreseeable future in postponing these obligations. Glenbriar has no intention of advancing sufficient funds to meet Peartree's obligations in this regard.

Deferred revenue. This account is all attributable to Peartree, and represents payments made for software maintenance fees, which revenues are deferred until such time as the services are performed. See Note 2 of Notes to Consolidated Financial Statements.